

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2008-374-E - ORDER NO. 2008-754  
NOVEMBER 6, 2008

IN RE: Petition of Progress Energy Carolinas, Inc.	)	ORDER TERMINATING
for an Accounting Order to Terminate the	)	ACCELERATED COST
Accelerated Cost Recovery of Its Nuclear	)	RECOVERY OF
Generating Facilities	)	NUCLEAR GENERATING
	)	FACILITIES

This matter comes before the Public Service Commission of South Carolina (“Commission”) on a petition filed by Progress Energy Carolinas, Inc. (“PEC”) for an accounting order to terminate PEC’s obligation to accelerate the cost recovery of its nuclear generating facilities. This obligation was derived from Order No. 1999-75 (January 29, 1999) which authorized PEC to accelerate cost recovery by a minimum of \$23 million and a maximum of \$33 million in South Carolina over a five year period. The cost recovery was later modified by Order No. 2002-851 (December 16, 2002) to eliminate the annual minimum amount and extend the date to achieve the overall minimum total accelerated cost recovery amount until December 31, 2009.<sup>1</sup>

PEC advises the Commission that the current economic downturn and abnormally mild weather have reduced its projected revenues for 2008 and 2009. As a result, PEC states that it is not possible for it to incur the expense of accelerating the cost recovery of its nuclear generating facilities, record the accelerated cost recovery, and earn a

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<sup>1</sup> The cost recovery amendment in Order No. 2002-851 resulted from PEC’s concern that it would not be able to meet this obligation while simultaneously complying with the cost of environmental controls for fossil plants required by a North Carolina statute.

reasonable return while experiencing reduced revenues. Other expenses that PEC states are contributing to its request include: preventative maintenance to its Brunswick Nuclear Plant estimated to cost up to \$65 million between 2008 and 2010, changes in the Nuclear Regulatory Commission rules forcing PEC to hire more personnel estimated to cost up to \$40 million in this same time frame, and increasing wages paid to its workers that are expected to cost up to \$13 million between 2008 and 2009. In addition, PEC cites up to \$40 million in maintenance costs at fossil plants, up to \$15 million in more than expected costs for sulfur dioxide scrubbers, increasing costs for contractors and materials expected to result in increased expenses of up to \$55 million through 2009, and new standards for the maintenance of transmission rights-of-way enacted by the Federal Energy Regulatory Commission that are expected to cost up to \$22 million through 2009.

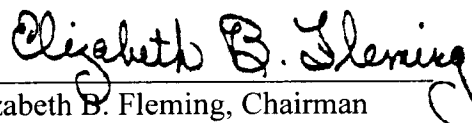
Regarding lost revenues, PEC informs the Commission that the economic downturn is estimated to cause a decline of up to \$50 million by the end of 2009. Further, mild weather has resulted in \$9 million less than was forecasted. PEC states that the net impact from these increased expenses and revenue decreases is approximately \$95 million to \$119 million for 2008 and \$130 million to \$171 million for 2009. Due to these expenses and lost revenues, PEC states it must prioritize items that will support the continued reliability of its assets over the accelerated cost recovery of its nuclear generating facilities.

The Office of Regulatory Staff (“ORS”) has reviewed the petition and has no objection to the Company's request to terminate the accelerated cost recovery of its nuclear generating facilities. However, ORS's review of the petition revealed Progress

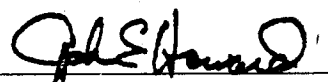
has previously depreciated \$76,775,000 of the five-year minimum amount of \$115 million. ORS requests that the Commission not allow Progress to reverse the depreciation previously recorded.

We find that PEC is experiencing increased expenses and lost revenues that cause it to prioritize items that will support the continued reliability of its assets over the accelerated cost recovery of its nuclear generating facilities. Therefore, PEC's petition for an accounting order to terminate the accelerated cost recovery of its nuclear generating facilities is granted. However, PEC shall not reverse the \$76,775,000 depreciation previously recorded. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

  
Elizabeth B. Fleming, Chairman

ATTEST:

  
John E. Howard, Vice Chairman  
(SEAL)